National Credit Union Administration
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Speech delivered to:

Credit Union National Association
Governmental Affairs Conference
Washington, DC

February 22, 2010

Thank you very much, Paul. It's great to be back at the CUNA GAC, especially as CUNA has just marked its 75th anniversary. As CUNA looks ahead to the next 75 years, you can draw on a proud history – as a tireless advocate for your industry, and as a champion of the credit-union philosophy.

And, speaking of "tireless," let me begin my remarks by saluting a figure who has established an unsurpassed record of advocacy for America's credit unions – your president, Dan Mica.

I almost called Dan "your retiring president" – but, knowing his boundless enthusiasm, I can scarcely imagine anyone calling Dan "retiring" in any way, except as he contemplates his final year at the helm of CUNA.

Dan, during your 13 years of devotion to the credit union industry – and during your 10 years of service to our country while in Congress – you've earned respect for your leadership in both arenas.

Everyone in the credit union world will miss Dan's energy and insight – and his distinctive personal style.

Maybe the best way to recall his style is to tell "a Dan Mica joke." By that, I mean: a joke that's likely to make everybody groan.

So here goes: At the circus – when the man who gets shot from the cannon decided to retire – what did the ringleader say to him?

"You know, it's not going to be easy to find another man of your caliber."

Dan, it's true: It will certainly be hard to find anyone of your caliber. There's no one in Washington who knows the legislative landscape, and the nuances of the financial-services sector, better than you.

In a city like this, in a system like ours, there's inevitably a tension between a regulator and a trade association – between those who make and enforce the rules, and those who have to live by them.

The only way to ease that tension is by fostering a spirit of honesty, transparency and civility. And, Dan, you've promoted all those ideals, and then some. I'm proud of the working relationship we've developed.

In large measure, that's been due to the trust you've earned, while leading this organization through some major issues. Today, a confident CUNA is helping our nation's credit unions confront a new array of challenges.

I'd like to discuss some of those challenges – and to explore how, by working together, we can try to turn them into opportunities.

I've been in my role at NCUA for six months now.

I've heard from some of you that, if there's one area where I've been particularly effective – perhaps too effective – it's that I've clearly communicated my concerns about how difficult 2010 is going to be . . . . and about how diligent NCUA is going to be, as we look for red flags.

I don't want to understate that reality. The number of credit unions downgraded to CAMEL 4 and 5 has almost doubled during the economic downturn – and those credit unions hold more than 5 percent of all insured shares. Many of the 7,600 federally insured credit unions – while still adequately capitalized – will be draining capital this year, due to negative earnings. Delinquencies and loan losses will probably continue to increase. Failures will likely rise again.

Now, I imagine that, at this point, some of you are saying: In a world where optimists see the glass as half full, and where pessimists see the glass as half empty, the sticklers at NCUA are worrying about the water quality.

I assure you, we are not over-reacting.

We must all be concerned about eroding capital and rising failures. Because of these trends, we'll be taking an intense look at credit unions that are not doing their due diligence with indirect lending, loan participations, and member-business lending. It's also why we'll look very closely at credit unions that are holding too many fixed-rate, long-term mortgages on their books.

By the way, you may have heard last week that the Fed is beginning to raise interest rates. So please, take action now to make sure your portfolio is strong enough to withstand the interest rate risks that will hit your balance sheet soon.

If the recent financial meltdown taught us anything, it's that – *especially in financial services* – weakness, whether real or perceived, can trigger ripple effects very quickly. That's why we don't ever want you to be in a place where any cracks start showing.

Because we've insisted on sensible precautions, all of us now have stronger reason for long-term optimism.

We've taken many of the necessary steps to strengthen the system, so it can better withstand a time of stress. The assessments to preserve the insurance fund and to stabilize the corporate credit union system – painful as they have been – have put the system in a stronger position.

In recent years, we've spent a lot of time addressing credit unions' immediate problems. As we look ahead toward an economic recovery, we can again think of the credit union industry's longer-term potential.

Let's not forget: During the financial crisis, the credit union system was just about the only part of America's financial sector that did not buckle under stress.

With American families struggling, and with big banks turning their backs on Main Street, it was credit unions that stepped up to the challenge.

It was credit unions that reached out – that made loans – that provided advice and reassurance.

It was credit unions that set out to modify mortgages, so that their members could stay in their homes.

It was credit unions that helped millions of Americans regain a measure of financial stability, and thus regain their confidence.

That's the kind of positive impact you can achieve, when you're responsive to members of a not-for-profit cooperative, rather than answering to shareholders of a for-profit financial institution.

Through two years of recession, we've endured some difficult times. And, yes, there are still some rough times ahead. Our shared responsibility – as industry and regulator – is to ensure that your institutions are truly sound. Once we're assured of that, your members – and our nation's economy – need you to chart a bold and confident course.

I believe that America's credit unions are poised for a new era of growth.

I believe that the industry is positioned to build on your record of service and success – and to broaden your appeal to millions of new members.

Let me outline some of the opportunities I see for credit unions – in terms of adding new members, offering new services, and increasing the volume of sound business loans. I'd like to suggest how credit unions can help create jobs in your communities – through the lending you can provide, and through the growth you yourselves can enjoy.

It's in times of uncertainty that people, instinctively, begin a flight to quality. We've recently seen how more and more American consumers recognize that strong, transparent, well-run credit unions offer them access to some of the highest-quality, lowest-cost choices in the world of financial services.

There's a reason why Suze Orman keeps telling people to get rid of their bank-issued credit cards, and instead sign up for cards issued by credit unions.

There's a reason why the big-bank CEOs were summoned to the White House, to be publicly chastised by the President for failing to lend, or for failing to modify mortgages, or for failing to rebuild trust among the American taxpayers who had rescued them. And there's a reason why credit union leaders were not summoned to that table in the White House.

And there's a reason why credit unions have out-performed banks in consumer-satisfaction surveys for 20 years in a row!

Given that strong record of success, there's no reason why credit unions should remain "America's best-kept financial secret." Through your strong performance, you can help the American people recognize what a great resource they have in a vigorous credit union system.

The more that credit unions continue delivering quality products – and the more that you let people know about your value – the more new members, and new deposits, and new business relationships you'll gain.

Of course, making the most of those new opportunities will require changing a few things. Some of the changes will be internal – adjusting some of the ways you conduct business. Those changes will be your responsibility. Some of the changes will be external – revising some parts of the regulatory environment in which you operate. Those will be my responsibility.

But, if we work in partnership, positive changes in both those areas – taken together – can both strengthen and broaden the credit union movement.

Let me mention four realistic opportunities that, I believe, now offer promising pathways for growth.

First: online services. The expansion of online services presents credit unions – and their members – with an enormous opportunity. Offering a wider array of online services will reduce your expense ratios – which, as you all know, tend to be relatively high. Moreover, online services will appeal to a new generation of tech-savvy consumers, who expect more than face-to-face transactions at a teller window. They want to pay bills online and check balances from their iPhones. They want more than bricks-and-mortar branches: They want a financial institution that's always open, everywhere, electronically.

Online services meet those consumers' needs. Yet credit unions lag far behind their peers in the banking industry in offering online services – especially in the areas of portfolio management and bill payment. The good news is that credit unions that do embrace online services have significantly higher consumer-satisfaction ratings than banks offering the same services.

Online services can overcome physical distance, cost less and serve more members . . . and attract more new members. To help the industry take advantage of online services' potential, I'll be hosting an online seminar to be held this spring with the CUNA Technology Council. The webinar will feature discussions about the best practices in credit unions' member-service technology. The goal of the event is to help you move toward providing cutting-edge online services.

Second: short-term loans. A great way to attract new members, as some of you have found, is to offer an alternative to the excessively expensive "payday loan" operations that have cropped up on so many street corners.

As I myself learned, when I served as an executive of a credit union, the demand for a payday-loan alternative is huge. If credit unions can fill this niche in the marketplace, you'll be providing a much-needed financial service. And you'll be performing a public service, as well, by protecting vulnerable, low-income Americans from payday lending's abuses.

If credit unions offer low-cost, short-term loans, there'll be no need for hard-pressed families to lose a large percentage of their earnings to the fees and high interest rates imposed by payday lenders.

I've asked NCUA staff to work on a proposed rule that will make it more attractive for credit unions to offer payday-loan alternatives. By making small, short-term loans, you'll meet an important member need – and you'll appeal to a broader universe of potential new members. We're hoping to release a proposal for public comment later this year.

Third: member business lending. Let me clearly say: I hear you. I support increasing or removing the cap on member business lending. It makes no sense that Congress has imposed an arbitrary cap on the percentage of assets that you can lend to members who need business loans.

CUNA's research is compelling – especially in this era of stubbornly high unemployment – that removing the cap would lead to the creation of nearly 110,000 new jobs across the country each year. If the nation is looking for ways to spur job creation, at low cost or no cost to the taxpayer, then allowing you to make more business loans is a sure-fire way to help small enterprises invest and grow.

Few credit unions may now be bumping up against the 12.25-percent cap – yet the very existence of a cap is an impediment to credit unions' development. There's a disincentive to building the infrastructure to pursue more business lending, since its small scale – enforced by the cap – will not justify such an investment.

In recent months, I've had several meetings with Treasury Department officials to discuss this issue. I've made it clear that, if the cap is raised or removed, NCUA would revisit our regulation to ensure that any credit unions increasing business lending will do so in a safe and sound manner. We'll want to do this carefully, of course – but I think it's clear that the benefits outweigh the costs.

Fourth: supplemental capital. As we're exploring new services and new opportunities, we also need to look at credit unions' ability to raise capital in ways beyond simply retaining earnings.

As you know, I've said that credit unions that are healthy and growing should certainly not be penalized for taking in new deposits. But, without the ability to bring in supplemental capital, many of you face a paradox: You have little choice but to discourage new deposits. That's because new deposits – which should be seen as a sign of strength – lower your capital ratio.

That lower ratio could be perceived as a weakness that, by law, must be remedied through Prompt Corrective Action.

There's a sad irony here: Just when more and more consumers are discovering credit unions, the law encourages many of you to turn those consumers away.

I believe that you should be able to gain access to supplemental capital to help relieve the pressure that all those new deposits put on your capital ratio. And so, in a recent letter to the Chairman of the House Financial Services Committee, Barney Frank, I expressed my support for credit unions to access supplemental capital – with the caveat that they must meet certain benchmarks of health and soundness.

So there are four opportunities that could promote a new era of growth for credit unions: online services, payday-loan alternatives, member business loans, and supplemental capital.

Together, I believe those factors can lead to significant growth. That momentum can propel the industry toward a significant milestone.

I believe that the nation's credit unions – poised for further growth, and with 92 million members already – should aim to serve 100 million members by the year 2015.

Such a "mid-decade milestone" – 100 million– is a worthy goal . . . . not simply because it's a big round number, but because there's more need than ever for what credit unions uniquely offer: not just financial security for depositors, but financial assistance for members.

Credit unions offer a distinctive value proposition: They represent – not a for-profit interest in "the market" overall – but a not-for-profit commitment to their members, individually.

After a financial crisis that tarnished the reputation of every other part of the financial-services sector, Americans' confidence in credit unions continues to grow. This growth is a tangible measure of the faith that American families continue to place in our nation's credit union system.

We can all be proud of the pivotal role that credit unions play in providing financial services to small-scale savers and your local communities. The stronger your institutions are, the stronger your members are – and, in turn, the stronger our nation will be.

In a spirit of partnership – drawing on the faith that millions of Americans place in their credit unions – I'm looking forward to working constructively with you in the years ahead . . . to help make the most of the opportunities that you enjoy, and to help deliver the benefits that America's consumers deserve.

Thank you very much.